

By Email

Our Reference: 25-031

Wednesday, 9 July 2025

Douglas Ross MSP
Convener of the Education, Children and Young People Committee
Scottish Parliament
Edinburgh
EH99 1SP

Dear Convener,

When I appeared at Committee on 4 June as part of your session on the financial sustainability of the university sector I committed to provide further information on a few areas covered by questions from members of the Committee. I have provided this detail in annexes. Including:

- Student flows within the UK (**Annex A**).
- Applicant demand from Scottish-domiciled students to study medicine in Scotland. (**Annex B**).
- Further information on the policy of recovery, in addition to that which will be provided by the Funding Council (**Annex C**).

After the 4 June session, it was agreed with committee clerks that it would be appropriate for the Funding Council to provide data on the cash sums recovered from HEIs due to under-recruitment in recent years as it administers this policy and will hold the data.

More broadly, the sector is keen to prioritise work on a more strategic approach to the policy of recovery in the second half of this calendar year. We welcome the Minister's openness to considering adjustments to recovery and the encouragement he gave to the Funding Council and Universities Scotland to progress this work at a recent tripartite meeting. Annex C shares our intended goals from that piece of work, as well as providing further detail on the wider financial, operational and inhibiting impacts that the current application of recovery has on multiple institutions.

Whilst some institutions have struggled to fill funded numbers for a variety of reasons and have experienced recovery, with all the challenges that brings, this is not a consistent picture across the sector. There are different patterns of demand from Scottish students and a desire, on the part of multiple institutions, to grow student numbers, whether related to specific degree programmes or more generally as linked to their mission, sustainability and/or aligned to Government priorities. The relatively static position on non-controlled funded numbers,

combined with a very tight funding envelope for universities makes it difficult to flex in response to one set of needs without causing detriment to another. Difficult though it may be, the current approach is not delivering for any part of the sector, and we believe there are opportunities to consider a new approach that better provides opportunities for Scotland's learners and better meets current and future skills needs.

Yours sincerely,

Claire McPherson
Director, Universities Scotland

Annex A: Student mobility within the UK.

There was some discussion of student flows within the UK during the session. I would like to clarify the numbers I provided during the session and share our understanding of what's happening in that space. The figures that follow in the bullet points focus on full-time, undergraduate student numbers as the discussion in Committee related to the capped places model in Scotland and the question of whether this is displacing well-qualified Scottish applicants from studying in Scotland. The data finds no suggestion of this. The tables that follow (1 and 2) provide exact figures at multiple levels and models of study in the most recent year available and in 2018/19 as the last full academic year before the pandemic.

- Just over 4,500 Scottish-domiciled studied full-time on first degrees in universities in England in 23/24, the most recent year for which data are available. That number is down by 4.3% (or just over 200 fewer students) compared to six years ago, using 2018/19 as the benchmark.
- The number of Scottish domiciled numbers in institutions in the rest of the UK in *all forms* of undergraduate study was 6,195 in 2024/25, which is also down slightly on the number from 2018/19.
- This, coupled with a 7.4% increase in Scots-domiciled students studying a first degree on a full-time basis in Scotland over that period, suggests that there has been no significant displacement effect of Scots from Scotland.
- Some Scottish students will always choose to study in the rest of the UK (or internationally) as is their right but at a high level the data do not point to a situation whereby Scots are forced to choose higher education in England through lack of opportunity in Scotland.
- To complete the picture of student flows within the UK, students from the rest of the UK (as a combined total) into Scotland have increased over the same period by 4% although that increase is largely driven by students from England (which are up 10.2% over the same period) whilst students coming from Northern Ireland have fallen. See tables 3 and 4.



Table 1: Scottish domiciled students going to universities in the rest of the UK 2023/24. Source: HESA Student

	first degree			All undergraduate			All postgraduate				All levels of study		
To HEIs in:	FT	PT	All	FT	PT	All	FT	PT	All		FT	PT	All
England	4560	430	4995	4770	1145	5915	1830	2575	4405		6600	3720	10320
Wales	140	20	155	140	35	175	75	150	225		215	185	400
N Ire	80	5	85	80	25	105	60	50	115		140	75	220
rUK	4,780	455	5,235	4,990	1,205	6,195	1,965	2,775	4,745		6,955	3,980	10,940

Table 2: Scottish domiciled students going to universities in the rest of the UK in 2018/19. Source: HESA Student

	first degree			All undergraduate			All postgraduate				All levels of study		
To HEIs in:	FT	PT	All	FT	PT	All	FT	PT	All		FT	PT	All
England	4,765	420	5,185	4,885	1,140	6,025	1,795	1,935	3,370		6,680	3,075	9,395
Wales	135	5	140	140	15	160	70	120	190		210	135	350
N Ire	80	20	100	80	55	140	50	80	130		130	135	270
rUK	4,980	445	5,425	5,105	1,210	6,325	1,915	2,135	3,690		7,020	3,345	10,015

Table 3: Students from the rest of the UK (rUK) coming to Scotland's 19 universities in 2023/24. Source: HESA Student

	first degree			All undergraduate			All postgraduate			All levels of study		
From:	FT	PT	All	FT	PT	All	FT	PT	All	FT	PT	All
Eng	18,950	310	19,260	19,005	1,030	20,035	3,000	5,485	8,485	22,005	6,515	28,520
Wales	560	10	570	570	35	605	160	265	425	730	300	1,030
N Ire	2,435	20	2,455	2,440	60	2,500	165	245	405	2,605	305	2,905
rUK	21,945	340	22,285	22,015	1,125	23,140	3,325	5,995	9,315	47,285	7,460	54,740

Table 4: Students from the rest of the UK (rUK) coming to Scotland's 19 universities in 2018/19. Source: HESA Student

	first degree			All undergraduate			All postgraduate			All levels of study		
From:	FT	PT	All	FT	PT	All	FT	PT	All	FT	PT	All
Eng	17,195	465	17,660	17,405	1,225	18,660	3,460	4,595	8,055	20,865	5,820	23,255
Wales	470	20	490	470	65	535	135	205	340	605	270	875
N Ire	3,460	30	3,490	3,475	115	3,590	220	240	460	3,695	355	4,050
rUK	21,125	515	21,640	21,350	1,405	22,785	3,815	5,040	8,855	46,290	6,960	53,280

Annex B: Student demand to study medicine in Scotland.

Student interest in studying medicine has been very volatile over the last five years, with big swings in demand, as a direct consequence of the coronavirus pandemic. Yet for applicants hoping to have started a medical degree in Scotland in 2024/25, the data points to a high number of places available, high levels of Scottish acceptances and an increasing success rate for Scottish students.

- The number of Scottish domiciled accepting a place to study medicine (and dentistry) at a Scottish university in 24/25 is up by 290 students (a 34.5% increase relative to 2019 which is largely due to an increase in funded places within that same period (by 40%) as controlled by the Scottish Government.
- Student applications to study medicine in Scotland surged during the pandemic, growing by over a third between 2019 and peak demand in 2022 but this high demand has now waned again, with applicant numbers dropping back closer to pre-pandemic levels.
- It is worth noting that this pattern of surging demand to study medicine at the height of the pandemic, followed by dropping demand has occurred across the UK.

Medical applicants and acceptances

Table 3: Applications to medicine and dentistry (at the CAH01 level) from Scottish Domiciled students to Scottish providers. Source: UCAS.

Year	2019	2020	2021	2022	2023	2024
Number of applications	4,430	4,745	5,795	5,965	5,155	5,275
Percentage change year on year		7.1%	22.1%	2.9%	-13.6%	2.3%

Table 4: Scottish-domiciled acceptances to medicine and dentistry courses (at the CAH01 level) at Scottish providers. Source: UCAS

Year	2019	2020	2021	2022	2023	2024
Medical and dentistry course acceptances	840	875	930	1,060	1,105	1,130

Annex C: The SFC policy of recovery, also known as “clawback”

In discussion with Committee Clerks after the 4 June session, it was agreed that it would be appropriate for the Funding Council to provide the financial figures for the amounts recovered from affected institutions as it manages that process. However, there were further questions from Committee members regarding the wider impact of the policy of recovery at institution level and we can assist with that. Further, we welcomed members’ interest in exploring alternative approaches to the current model of recovery, which supports the position taken by Minister Dey, and we would like the opportunity to share our thoughts on that.

Context

The policy of recovery from universities is not new. However, there are three significant, contextual factors which make the current application of the policy of recovery very challenging at both an institutional and sector-wide level. Those factors are:

1. Very significant volatility in student behaviour over the last five years, due to Brexit, COVID-19 and a cost-of-living crisis in quick succession, making admissions at subject level, institution level and via different entry routes unpredictable and therefore putting recruitment beyond an institution’s full control.
2. The extent of the funding pressures felt by universities means there is now very little financial resilience left in institutions to withstand the consequences of the recovery of funding linked to under-delivered funded numbers without it having a major impact on the institution’s cash position and scope to recover for the future. Where this happens without consideration of mitigating circumstances or scope for flexibility, the policy of “recovery” feels entirely mis-labelled and the “claw back” nomenclature is far more appropriate.
3. Conversely, some institutions currently have the ambition and ability, in terms of student demand, to grow their Scottish-domiciled numbers on new courses and/or in ways that support Government agendas. This is positive and the sector collectively recognises that this should be supported where there is a strong business case. Yet, within the finite resources available to the HE sector, including relatively static funded numbers overall and 20% less public resource invested in every Scottish place available, this introduces a real tension within the funding model. It should not be the case that action taken to support purposeful growth in student numbers in one part of the sector, comes at the long-term cost of another institution and opportunities offered to students elsewhere.

Moving to a better way

It is this set of complex and sometimes competing factors that needs to be better reconciled within the policy of recovery, which has not fundamentally changed in response to a much-changed operating environment for institutions.

The Minister has indicated his openness to consider proposals for how recovery in the university sector could be run more effectively going forward, which is very welcome. The Funding Council is also open to working with us. Whilst we recognise the highly constrained public finances make this challenging territory, the Council has precedent for doing things differently as an entirely

different approach to recovery operates in the college sector, which has also suffered from swings in student demand. In 2022/23, significant discretion was applied by the Council and institutions retained 92% of the resource that would otherwise have been recovered.

Consideration of a more strategic approach to recovery has so far been delayed in 2025 but the May tripartite meeting between the Scottish Government, Scottish Funding Council and Universities Scotland, recommitted to take this forward over the remainder of calendar year.

Primarily, our goals for this joint work are to achieve:

- **A more strategic approach for institutions and the sector as a whole.** We want to take the opportunity to move to a model of recovery that enables institutions to be strategically responsive to both changing (and challenging) times. In doing so, it would be helpful to move away from a year-to-year, reactive approach to the allocation of funded numbers and recovery in cases of under-recruitment, which limits institutions' ability to plan, and instead to evolve to a more medium-to-long term trajectory for funded numbers. Working together now to build confidence in a more strategic approach over the next five years would be very well-timed given that the changing demographics of school-leavers starts to take effect from 2030, which will require all parts of the sector to adapt their delivery.
- **Greater flexibility within the model.** Linked to a more strategic approach, the model and the application of it, need to weave-in greater flexibility to recognise both the specifics of the financial context facing institutions (and avoid adding to the financial precarity of institutions) as well as the wider priority of ensuring coherent provision across the university, and wider post-16 landscape. The policy of recovery is retrospective, taking corrective action for what has happened to student numbers in the very recent past of an institution; there is currently no scope to consider the institution's plans for the future. It needs to give all institutions, including those subject to recovery, some space and opportunity to adapt, innovate (into new courses, levels of study and/or models of delivery) or grow, as aligned to Government and institutional priorities and strengths. Expanding the current tolerance bands for under-recruitment on a time-limited basis would be one area to explore.
- **Greater transparency, consistency of process and consultation with institutions.** This applies to both the policy of recovery, as managed, and the approach taken to (re)allocation of funded numbers within the higher education sector, according to demand. Institutions need to have equal time and opportunity to make a case to the Funding Council based on a robust and agreed set of key performance indicators, metrics and definitions.
- **Greater expediency in decision-making on recovery from the Funding Council.** We'd like to explore how this might be done more quickly following SFC receipt of an institution's final student numbers, to avoid financial recovery in a subsequent financial year with the negative consequences for institutions' cash position, budgeting, forecasting and institutional planning.
- **Create the conditions to support innovation.** New funding streams for teaching (examples over the last few years would include the upskilling funding, now removed, and graduate

apprenticeships, then mainstreamed) should have no clawback applied for a start-up period of 3-4 years to allow for development and establishing demand. Otherwise, the financial risk facing institutions is too high in the current context and will disincentivise take-up of new initiatives.

The broader impact and opportunity cost at institution level arising from the current approach to recovery and limits within the capped numbers model.

Committee members asked about the wider impact that recovery/clawback has on individual institutions (beyond the specific cash sums involved). The following offers further examples in cases where institutions have experienced recovery and where institutions have experienced limitations on their ability to grow Scottish-domiciled numbers:

- **The direct impact on institutional cash position.** Multiple institutions asked us to relay this point. Where an institution has been unable to fill funded numbers, it needs to make provision for the recovery of that funding from within its cash resource on an annual basis while it waits for the SFC to reach a determination (usually in the subsequent financial year) as to whether it will claw back funds, and if, when that will happen. Generally speaking, due to technical rules in accounting, the probable sums linked to recovery cannot be accounted for in future budgets so it creates an in-year income/expenditure and cash problem, worsening an institution's financial outturn and worst, in cases where an institution is forecasting deficit budgets (which now applies to half of the Scottish sector) the impact of clawback could be the difference between being cash neutral as opposed to depleting cash reserves. This depletion of cash reserves ultimately is not in the interests of either individual institutions affected or the sector as a whole as it merely makes us less sustainable.
- **An inflexible approach undermines universities' ability to support Government agendas.** There are several examples of this in addition to those shared by Professor Miller and Professor Rigby in Committee.
- The University of the Highlands and Islands (UHI) is a fully tertiary institution working to deliver further and higher education opportunities to students on a seamless basis. Faced with under-delivery of higher education places in two years, the institution was well placed to flex within its tertiary model and apply those places, at no additional cost to the SFC or SG, to address over delivery and suppressed demand in FE activity across the regions, rather than to lose those places, and the funding, from UHI. This option was not taken.
- There are slightly different approaches to recovery for "controlled" places (medicine, teaching, nursing and some other allied health programmes) and "non-controlled" places (all others). However, the difficulty experienced by universities recruiting to fill places in some of the controlled subjects helps to illustrate an important point. Some of the careers which are vital to our schools and NHS do not currently appeal to the future workforce, making recruitment to the degree programmes very challenging for universities. This has been an acute problem in teaching, but demand to study medicine has also fallen in the last two years, as shown in annex B, with concern about potential under-recruitment of Scots-dom. Additionally, some of the smaller-scale but very important programmes in paramedic medicine, for example, have also been challenging to recruit to fill. Scotland needs these roles. The response should be more effective workforce planning, strategic collaboration with

institutions and appropriate incentivisation rather the current approach, which is to simply allocate the places and then recover them if they cannot be filled. All this does is expose the institutions delivering those courses to all of the associated financial risk.

- There are also issues caused by inflexibility in regard to institutional over-recruitment and/or the need to create opportunities for Scots-dom places on new degree programmes within a capped places model. As well as financial penalty for under-recruitment, the policy can also apply financial penalties for over-recruitment (using a higher threshold). Any institution in that position is then faced with a multi-year problem, if no flexibility is afforded, as it has no option but to bring its funded numbers down, within range, by reducing the number of places available to new entrants only (as institutions' funded numbers allocation apply to all years of study but numbers can only be managed up or down via entrants), despite continued high demand. Where institutions are performing strongly, delivering on Scottish Government priorities of access and skills delivery, and are ambitious to more, the limits are hard to .
- In the same space, there are also instances in the sector where funded number controls make it very difficult to allocate funded places for Scottish students on new degree programmes which would otherwise run entirely based on fee-paying international students and those from the rest of the UK, not through institutional design or choice but as a byproduct of the restrictions in the current model.